



T +353 (0)1 224 6000
Bosca PO 559, Baile Átha Cliath 1
PO Box 559, Dublin 1

www.centralbank.ie

Mr Robert Troy TD
Dáil Eireann
Leinster House
Kildare Street
Dublin 2
D02 XR20

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Re: Lending and Common Bond - Credit Unions

Dear Deputy Troy,

I refer to your letter of 7 September 2018 addressed to the Governor of the Central Bank of Ireland. Given your query relates to the legislative and regulatory framework which applies to credit unions, he suggested that I reply to you on his behalf.

Credit unions have a separate regulatory framework to that which applies to banks and are regulated and supervised under a specific piece of legislation – the Credit Union Act, 1997 (the “1997 Act”) and regulations issued by the Central Bank which set out the framework for the registration, regulation and operation of credit unions.

Common Bond

Section 6(1)(b) of the 1997 Act requires that admission to membership of a credit union is restricted to persons each of whom has, in relation to all the other members, at least one of the common bonds specified in section 6(3) of the 1997 Act. The types of common bonds outlined in this section of the 1997 Act are as follows:



- a) *following a particular occupation;*
- b) *residing or being employed in a particular locality;*
- c) *being employed by a particular employer or having retired from employment with a particular employer;*
- d) *being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a credit union; and*
- e) *any other common bond approved by the Central Bank.*

The objects of a credit union outlined in section 6 (2) of the 1997 Act restrict credit unions to offering services only to their members.

Lending

Section 35 of the 1997 Act outlines requirements for credit unions when making loans to members. Section 35 (2) of the 1997 Act specifies that “*the ability of the loan applicant to repay shall be the primary consideration in the underwriting process of the credit union*”. Furthermore, section 35 (3) of the 1997 Act requires that “*a credit union shall manage and control lending to ensure the making of loans does not involve undue risk to members’ savings taking into account the nature, scale, complexity and risk profile of the credit union*”.

I trust this addresses the issues raised in your letter.

Yours sincerely

Patrick Casey

Registrar of Credit Unions